UNITED STATES-JAPAN FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2022

UNITED STATES-JAPAN FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees of
United States-Japan Foundation

Opinion

We have audited the accompanying financial statements of the United States-Japan Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States-Japan Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the United States-Japan Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the United States-Japan Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the United States-Japan Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the United States-Japan Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Calibre CPA Group, PLLC

Bethesda, MD
December 13, 2023

UNITED STATES-JAPAN FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 1,105,907	$ 13,247,619
Accounts receivable	15,223	-
Prepaid expenses	192,394	250,154
Deferred excise tax asset	235,222	-
Other assets	35,348	35,348
Total current assets	1,584,094	13,533,121
Investments	85,989,796	92,595,869
Right-of-use assets	1,055,314	-
Net property and equipment	32,164	45,394
Total assets	$ 88,661,368	$ 106,174,384
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 373,130	$ 85,671
Grants payable	311,939	365,908
Lease liabilities	1,148,159	-
Deferred rent	-	98,625
Deferred excise tax liability	-	114,295
Total liabilities	1,833,228	664,499
Net assets		
Without donor restrictions	86,828,140	105,509,885
Total liabilities and net assets	$ 88,661,368	$ 106,174,384

UNITED STATES-JAPAN FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Revenue		
Contributions	$ 500	$ 10,000
Investment income (loss)		
Interest and dividends	1,572,838	1,889,623
Net appreciation (depreciation) in fair value of investments	(15,780,595)	10,179,818
Investment expenses	(178,130)	(209,376)
Net investment income (loss)	(14,385,887)	11,860,065
Other income	-	135
Total revenue	(14,385,387)	11,870,200
Expenses		
Program services	3,302,948	3,573,950
Management and general	993,410	776,525
Total expenses	4,296,358	4,350,475
Net change	(18,681,745)	7,519,725
Net assets without donor restrictions		
Beginning of year	105,509,885	97,990,160
End of year	$ 86,828,140	$ 105,509,885

See accompanying notes to financial statements.

UNITED STATES-JAPAN FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program			Management and General			
	US Japan Relations	US Japan Leadership Program	Total	Administrative	Investment Related Activities	Total	Grand Total
Grant expenses, net	$ 857,381	$ -	$ 857,381	$ -	$ -	$ -	$ 857,381
Salaries	518,640	168,574	687,214	360,544	15,023	375,567	1,062,781
Payroll taxes and employee benefits	129,473	52,410	181,883	90,006	3,750	93,756	275,639
Occupancy	243,108	-	243,108	61,393	3,231	64,624	307,732
Office expenses	135,672	31,323	166,995	52,642	2,771	55,413	222,408
Travel, meetings and conferences	150,075	827,451	977,526	45,990	45,990	91,980	1,069,506
Professional fees	131,832	-	131,832	64,451	96,676	161,127	292,959
Federal excise tax	-	-	-	37,543	-	37,543	37,543
State tax	-	-	-	3,000	-	3,000	3,000
Depreciation and amortization	9,125	-	9,125	4,100	-	4,100	13,225
Other expenses	47,454	430	47,884	106,300	-	106,300	154,184
	$ 2,222,760	$ 1,080,188	$ 3,302,948	$ 825,969	$ 167,441	$ 993,410	$ 4,296,358

See accompanying notes to financial statements.

UNITED STATES-JAPAN FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program			Management and General			
	US Japan Relations	US Japan Leadership Program	Total	Administrative	Investment Related Activities	Total	Grand Total
Grant expenses, net	$ 1,409,018	$ -	$ 1,409,018	$ -	$ -	$ -	$ 1,409,018
Salaries	866,908	251,684	1,118,592	212,392	124,738	337,130	1,455,722
Payroll taxes and employee benefits	378,816	98,967	477,783	74,168	45,458	119,626	597,409
Occupancy	255,131	-	255,131	56,290	11,529	67,819	322,950
Office expenses	104,410	52,165	156,575	34,681	7,250	41,931	198,506
Travel, meetings and conferences	3,358	1,554	4,912	823	1,235	2,058	6,970
Professional fees	119,941	-	119,941	48,376	98,218	146,594	266,535
Federal excise tax	-	-	-	56,199	-	56,199	56,199
State tax	-	-	-	1,750	-	1,750	1,750
Depreciation and amortization	7,608	705	8,313	3,418	-	3,418	11,731
Other expenses	23,685	-	23,685	-	-	-	23,685
	$ 3,168,875	$ 405,075	$ 3,573,950	$ 488,097	$ 288,428	$ 776,525	$ 4,350,475

See accompanying notes to financial statements.

UNITED STATES-JAPAN FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (18,681,745)	$ 7,519,725
Adjustments to reconcile change in net assets to net cash used for operating activities		
Net (appreciation) depreciation in investments	16,039,574	(10,275,473)
Loss on disposal of property and equipment	1,244	-
Depreciation and amortization	13,225	11,731
Change in assets		
Accounts receivable	(15,223)	959
Prepaid expenses	57,760	(210,292)
Deferred excise tax asset	(235,222)	-
Other assets	-	963
Right-of-use assets	(1,055,314)	-
Change in liabilities		
Accounts payable and accrued expenses	287,459	13,457
Grants payable	(677,847)	(365,908)
Lease liabilities	1,148,159	-
Deferred rent	(98,625)	-
Deferred excise taxes payable	(114,295)	(42,972)
Net cash used for operating activities	(3,330,850)	(3,347,810)
Cash flows from investing activities		
Purchases of investments	(52,078,713)	(10,194,063)
Purchase of property and equipment	(1,239)	(7,975)
Proceeds from sale or maturity of investments	43,269,090	14,473,354
Net cash (used for) provided by investing activities	(8,810,862)	4,271,316
Net change in cash and cash equivalents	(12,141,712)	923,506
Cash and cash equivalents		
Beginning of year	13,247,619	12,324,113
End of year	$ 1,105,907	$ 13,247,619
Supplemental disclosure of cash flow information		
Excise taxes paid	$ -	$ 193,150

See accompanying notes to financial statements.

NOTE 1. NATURE OF ACTIVITIES

The United States-Japan Foundation (the Foundation) is a private foundation incorporated in New York in 1980 for the purpose of promoting understanding and cooperation between the peoples and institutions of the United States and Japan.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Foundation have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit organizations.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Cash and Cash Equivalents - For financial reporting purposes, the Foundation considers highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents, except for those amounts held as part of the investment portfolio.

Investments - The Foundation's investments in equity securities and mutual funds are reported at their fair values in the statements of financial position based on quoted market prices. Cash and cash equivalents held as part of the Foundation's investment portfolio are also included in the balances reported as investments.

The Foundation also has investments in limited partnerships and limited liability companies which are considered to be alternative investments, for which readily determinable fair values do not exist. The fair value of the alternative investments has been estimated based on the respective net asset value (NAV) per share (or its equivalent unit) of each investment, as reported by the particular investment manager. Because of the complex management structures and nature of the underlying investments and the inherent uncertainty of the valuation of the alternative investments, the Foundation's management and its various investment managers monitor their positions to reduce the risk of potential losses due to changes in fair values or the failure of counterparties to perform on a routine basis. Management believes the carrying amount of the investments in non-publicly traded securities is a reasonable estimate of their fair value. However, such estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Certain of the Foundation's portfolio managers for the alternative investments enter into derivative contracts held or issued for trading purposes. These investments are subject to various market risks, which arise from changes in securities values and other market conditions. As part of their overall trading strategies, the investment managers may engage in the purchases and sales of index and equity options, for the purpose of generating profit and/or mitigating market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The Foundation's investments, in general, are subject to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost of acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

Investment expenses include the services of investment managers and custodians. The balances of investment management fees disclosed in the statements of activities are those specific fees charged by the Foundation's various investment managers in each year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

Translation of Foreign Currency - Any cash accounts and investments denominated in foreign currencies are translated at the closing rates of exchange at the end of the reporting period. Foreign transactions occurring during the year, including purchases and sales and income and expenses, are translated at the prevailing exchange rate on the dates of the transactions, and are reported within realized gains and losses on the statements of activities.

Property and Equipment - Property and equipment are stated at their original costs at the date of acquisition, or, if contributed, at their fair values at the dates of donation, net of accumulated depreciation and amortization. The Foundation capitalizes items of property and equipment that have a cost of $2,000 or more and a useful life greater than one year, whereas minor costs of repairs and maintenance are expensed as incurred. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. Equipment is depreciated over five to seven years; and furniture and fixtures are depreciated over five to fifteen years. Leasehold improvements are amortized over the term of the lease or useful life, whichever is shorter.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic Not-for-Profit Entities - Presentation of Financial Statements. Under those principles, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - These net assets are available to finance the general operations of the Foundation. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, and the purposes specified in its organizing documents.

Net assets with donor restrictions - These net assets result from contributions and other inflows of assets, the use of which by the Foundation is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual.

As of December 31, 2022 and 2021, the Foundation did not have any net assets with donor restrictions.

Revenue and Recognition - Contributions to the Foundation are recognized as revenue upon the receipt of cash or other assets, or unconditional pledges. Contributions are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recognized when the donor's conditions have been met by requisite actions of the Foundation's management or necessary events have taken place. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

Grants - Grants are recognized as obligations at the time of approval by the Board of Trustees. Grants approved by the Board, but unpaid as of year-end, are reported as liabilities in the statements of financial position. Grants are expected to be paid within the upcoming year. Grant funds that have been awarded and that have been returned to, or withdrawn by, the Foundation are reported net with total grant expense.

Leases - In its statements of financial position, the Foundation records a right-of-use asset and lease liability, initially measured at the present value of total lease payments using a risk-free rate that approximates the remaining term of the lease. The Foundation considers the likelihood of exercising renewal or termination clauses (if any) in measuring its right-of-use assets and lease liabilities. A single lease cost calculated so that the cost of the lease is allocated over the lease term on straight-line basis. Short-term leases (those with an initial term of twelve months or less and no purchase option) are expensed over their terms, with no corresponding right-of-use asset or lease liability recorded. The Foundation does not separate non-lease components (if any) from lease components in determining the lease payments for leases of office equipment.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expense - The costs of providing the Foundation's programs and activities have been summarized on a functional basis in the statements of functional expenses. Management considers certain "investment-related" expenses to be included in the "management and general" functional allocation which are allocated indirect costs specifically related to overseeing the Foundation's investment portfolio. Accordingly, direct costs have been allocated among the program and supporting services based on the nature of the expense. Indirect costs have been functionalized on the basis of time and space usage among employees. The Foundation incurs no significant fund-raising expenses.

New Accounting Pronouncement Adopted - During the year ended December 31, 2022, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This guidance is intended to increase transparency and comparability among lessees by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Topic 842 requires lessees to report a right-of-use asset along with a lease liability.

Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842) – *Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The Foundation adopted ASU 2016-02 and its related amendments as of January 1, 2022 which resulted in the recognition of operating right-of-use assets totaling $1,315,364, as well as operating lease liabilities totaling $1,413,989. The Foundation elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022, without restating any prior-year amounts or disclosures. The additional lease disclosures can be found in Note 10. There was no cumulative effect adjustment to the opening balance of net assets required.

The Foundation elected to apply all practical expedients available, allowing it to 1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; 2) not reassess the lease classification for any expired or existing leases; 3) not reassess initial direct costs for any existing leases; and 4) adopt a risk-free interest rate for all asset classes. The Foundation has also elected to apply the practical expedient to use hindsight in determining the lease term which in the year of implementation the Foundation has determined to be the remaining lease term.

NOTE 3. TAX STATUS AND INCOME TAXES

The Foundation qualifies as a tax-exempt private foundation under Section 501(c)(3) Internal Revenue Code (IRC) and, accordingly, is not subject to either federal or state income taxes, except on income from unrelated activities. The Foundation is, however, subject to a federal excise tax of 1.39% for 2022 and 2021, on net investment income, including realized gains, as defined in the IRC. The Foundation was subject to an excise tax of $30,043 and $56,199 in 2022 and 2021, respectively.

NOTE 3. TAX STATUS AND INCOME TAXES (CONTINUED)

In addition, the Foundation must make certain minimum qualifying distributions, in the form of grants and expenses spent for charitable purposes, in an amount equal to 5% of the average fair value of its assets held during the year. The IRC allows for an organization to distribute any under-distributed income over the subsequent year. The required minimum qualifying distributions for 2022 and 2021 were approximately $4,794,000 and $5,008,000, respectively. During 2022, the Foundation made qualifying distributions of approximately $3,309,000, thereby satisfying the distribution requirement and leaving a remaining distribution carryover to future years of approximately $2,269,000. During 2021, the Foundation made qualifying distributions of approximately $3,971,000 plus carryover from prior years of approximately $252,000, thereby satisfying the distribution requirement.

The Foundation is also subject to the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes, which sets forth a threshold for financial statement recognition, measurement and disclosure of a tax position taken, or expected to be taken, on a tax return. Such guidance requires the Foundation to determine whether a tax position of the Foundation is more likely than not to be sustained upon examination by the applicable taxing authority based on the technical merits of the position. Since the Foundation has always recorded the potential tax liability for excise and unrelated business income taxes, and, due to its general not-for-profit status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Foundation's financial statements. As of December 31, 2022 and 2021, the Foundation had not recorded a liability for any unrecognized tax uncertainties.

NOTE 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Foundation invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earning with acceptable risk to investment principal.

NOTE 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (CONTINUED)

The following table represents the Foundation's financial assets available to meet a cash needs for general expenditures withing one year of December 31, 2022 and 2021:

	2022	2021
Total assets at end of year	$ 88,661,368	$ 106,174,384
Less: nonfinancial assets		
Prepaid expenses	192,394	250,154
Deferred excise tax asset	235,222	-
Other	35,348	35,348
Right-of-use assets	1,055,314	-
Net property and equipment	32,164	45,394
Total financial assets at end of year	87,110,926	105,843,488
Less: amounts unavailable for general expenditures within one year		
Investments subject to redemption restrictions	12,058,979	13,243,334
Total financial assets available for general expenditures within one year	$ 75,051,947	$ 92,600,154

NOTE 5. INVESTMENTS

At December 31, 2022 and 2021, investments consisted of the following:

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Short-term cash investments	$ 45	$ 45	$ 45	$ 45
U.S. Government securities	7,823,771	7,837,146	-	-
Mutual funds				
Domestic equity	35,714,857	32,085,918	33,399,116	21,768,124
Foreign equity	30,392,144	32,957,221	45,953,374	39,569,500
Alternative investments				
Private credit fund	182,178	201,338	253,747	248,936
Private equity fund	11,294,678	6,535,046	11,938,084	7,850,687
Private real estate funds	582,123	693,007	1,051,503	1,155,113
	$ 85,989,796	$ 80,309,721	$ 92,595,869	$ 70,592,405

Fair Value Measurement

Accounting standards provide the framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

NOTE 5. INVESTMENTS (CONTINUED)

Level 2 Inputs to the valuation methodology include other significant observable inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following table sets forth, by level within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2022:

Description	Total Investments at 12/31/22	Quoted Market Prices for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term cash investments	$ 45	$ 45	$ -	$ -
U.S. Government securities	7,823,771	-	7,823,771	-
Mutual funds	66,107,001	66,107,001	-	-
Total	73,930,817	$ 66,107,046	$ 7,823,771	$ -
Investments measured at NAV*	12,058,979			
Investments at fair value	$ 85,989,796			

*Investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

NOTE 5. INVESTMENTS (CONTINUED)

The following table sets forth, by level within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2021:

Description	Total Investments at 12/31/21	Quoted Market Prices for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term cash investments	$ 45	$ 45	$ -	$ -
Mutual funds	79,352,490	79,352,490	-	-
Total	79,352,535	$ 79,352,535	$ -	$ -
Investments measured at NAV*	13,243,334			
Investments at fair value	$ 92,595,869			

*Investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

<u>Level 1</u>

Mutual funds are traded in active markets on national and international securities exchanges and are valued at closing prices on the last business day of each period.

Short-term cash investments are valued at cost which approximates fair value.

<u>Level 2</u>

Most U.S. Government securities are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. To the extent that quoted prices are not available, fair value is determined based on a valuation model that includes inputs such as interest rate yield curves and credit spreads. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

<u>Investments in Investment Entities</u>

Authoritative guidance on fair value measurements permits the Foundation to measure the fair value of an investment in an investment entity that does not have a readily determinable fair value based upon the NAV of the investment. This guidance does not apply if it is probable that the investment will be sold at a value different than NAV. The net asset value per share is the amount of the investee's net assets attributable to each unit share of ownership interest.

NOTE 5. INVESTMENTS (CONTINUED)

The Foundation's investment in investment entities is subject to the terms of the respective private placement memoranda and governing agreements. Income or loss from investments in these investment entities is net of the Foundation's proportionate share of fees and expenses incurred or charged by these investment entities.

The Foundation's risk of loss in these entities is limited to its investment. The Foundation may increase or decrease its level of investment in these entities at its discretion.

The following table summarizes the Foundation's investments in certain entities that calculate NAV per share as fair value measurement as of December 31, 2022 and 2021 by investment strategy:

Description	Fair Value (in millions) 2022	Unfunded Commitments (in millions) 2022	Fair Value (in millions) 2021	Unfunded Commitments (in millions) 2021	Redemption Frequency	Redemption Notice Period
a. Private credit funds	$ 0.18	$ 0.14	$ 0.25	$ 0.14	Upon liquidation	*
b. Private equity funds	11.30	3.08	11.80	1.77	Upon liquidation	*
c. Private real estate funds	0.58	0.70	1.05	0.86	Upon liquidation	*

(a) Invest in distressed companies primarily in North America and Western Europe.

(b) Invest in U.S. growth capital, small and middle market buyout investments, in addition to private equity investments with the primary purpose of obtaining control or influence in small to mid-size companies.

(c) Invest directly or indirectly in public or private debt, equity or other interest relating to real estate assets on a global basis, with primary focus in the United States.

* The Foundation's investments in investment entities are in fixed duration funds in which individual partners are not permitted a redemption once invested. Redemptions are made at the discretion of the General Partner per the terms of the partnership agreement.

NOTE 6. PROPERTY AND EQUIPMENT

At December 31, 2022 and 2021, property and equipment consisted of the following:

	2022	2021
Leasehold improvements	$ 249,581	$ 249,581
Furniture and fixtures	16,105	61,078
Equipment	105,040	204,801
Website	22,400	22,400
Less: accumulated depreciation	(360,962)	(492,466)
Net property and equipment	$ 32,164	$ 45,394

NOTE 7. DEFERRED EXCISE TAX ASSET/LIABILITIY

The Foundation provided for a deferred excise tax asset on the total unrealized depreciation in the fair value over the original cost of its investments of $235,222 and a deferred excise tax liability on the total unrealized appreciation in the fair value over the original cost of its investments of $114,295 for the years ended December 31, 2022 and 2021, respectively, which represented excise tax rates of 1.39% for the years ended December 31, 2022 and 2021.

NOTE 8. GRANT EXPENSES

The Foundation provides grants to a number of organizations each year, whose goal is to bring awareness and strengthen the US-Japan Relations through education, research, and special programs. In 2022, grants were awarded to Asian Art Museum Foundation of San Francisco (San Francisco, CA), Beyond Tomorrow (Tokyo, Japan), Chicago Council on Global Affairs (Chicago, IL), Columbia University (New York, NY), Community Partners (Los Angeles, CA), Hinoki Foundation (Ypsilanti, MI), Human Security Forum (Tokyo, Japan), International House of Japan (Tokyo, Japan), Japan Society, Inc. (New York, NY), Kizuna Across Cultures (Washington, DC), Knox English Network (Tokyo, Japan), Kyoto University (Kyoto, Japan), National Association of Japan America Societies (Washington, DC), Silicon Valley Japan College (Atherton, CA), The Japan Society of New Orleans (New Orleans, LA), and Women's Net Kobe (Kobe City, Japan). The Foundation provided grants totaling $857,381 and $1,409,018 for 2022 and 2021, respectively.

NOTE 9. RETIREMENT PLAN

The Foundation's United States office has a defined-contribution retirement plan, established under Section 403(b) of the IRC. Under the terms of the plan, after one year of service, the Foundation may provide a discretionary contribution of 17% of an employee's annual salary. The Foundation's Tokyo office has a National Pension Plan and Nomura Security Pension Plan. The Foundation's total contributions to the plans were $36,861 and $172,431 for 2022 and 2021, respectively.

NOTE 10. LEASES

The Foundation leases office space in New York City and Tokyo, Japan. The New York City lease is effective through February 28, 2027, the Tokyo, Japan lease is effective through November 30, 2024, and both leases are subject to escalation clauses.

Operating lease expense was $278,337 and $289,446 for the years ended December 31, 2022 and 2021, respectively. The Foundation had no variance or short-term lease expense in 2022 or 2021 and does not have any finance leases.

NOTE 10. LEASES (CONTINUED)

Supplemental qualitative information related to operating leases is as follows:

	Year Ended December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities - operating cash flows	$ -
Right-of-use assets obtained in exchange for lease obligations	1,315,364
Weighted-average remaining lease term (in years)	4.0
Weighted-average discount rate	1.21%

The maturity of the lease liabilities under the Foundation's operating leases as of December 31, 2022 is as follows:

Year ended December 31,		
2023	$	286,656
2024		292,008
2025		273,706
2026		281,917
2027		47,215
Undiscounted future cash flows	$	1,181,502
Less: discount to present value (with a weighted rate of 1.21%)		(33,343)
Total lease liability	$	1,148,159

Subsequent to year-end, the Foundation terminated it's New York office lease effective March 31, 2023 and paid a $981,360 early termination fee per the terms of the agreement.

NOTE 11. CONCENTRATION OF CREDIT RISK

The Foundation places its cash and cash equivalents with high credit quality financial institutions in amounts that, from time to time, may exceed federal insurance limits. The Foundation's management believes there is no substantial risk of loss associated with the failure of these financial institutions.

NOTE 12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 13, 2023, which is the date the financial statements were available to be issued. This review and evaluation revealed no other material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.